

BEFORE THE
POSTAL REGULATORY COMMISSION
WASHINGTON, D.C. 20268-0001

FIRST-CLASS MAIL AND PERIODICALS
SERVICE STANDARD CHANGES, 2021

Docket No. N2021-1

**RESPONSE OF THE UNITED STATES POSTAL SERVICE WITNESS
MONTEITH TO POSTCOM'S FIRST INTERROGATORIES AND REQUESTS
FOR PRODUCTION OF DOCUMENTS PostCom/USPS-T5-1, 2(a)-(b), 3, and
4(b)-(c) REDIRECTED FROM WITNESS THRESS
(May 18, 2021)**

The United States Postal Service hereby provides the response of witness Monteith to the above-listed interrogatories. The interrogatories are stated verbatim and followed by the response.

Respectfully submitted,
UNITED STATES POSTAL SERVICE

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PostCom/USPS-T5-1. Please refer to page 36 of USPS-T-5 and the statement, the “Postal Service estimates that the proposed changes to service standards could increase average delivery time by as much as 18 percent within the affected delivery networks.”

- a. Please identify the Postal Service source for this 18 percent estimate in increase in average delivery time.
- b. Please explain the derivation of this estimate and provide supporting workpapers and calculations.

RESPONSE:

Please see USPS witness Steven W. Monteith’s response to Question 29 of Presiding Officer’s Information Request No. 1 and accompanying Library Reference filed on May 17, 2021.

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PostCom/USPS-T5-2. Please refer to USPS T-5 at pages 36-38 and Library Reference Library Reference LR-N2021-1-5. Please confirm that in applying the 18% increase in average days to delivery figure to determine the financial impact of the changes, Witness Thress applied the 18% against the entire volume of the particular category. For instance, please confirm that Mr. Thress's determination that an 18% increase in average days for delivery for FCM Workshare Mail would reduce volume by 0.65%, or 240.2 million pieces of mail, which results in \$53.9 million in lost contribution, is derived by applying the 18% figure against the entire volume of FCM Workshare Mail, regardless of whether mail within that category would actually experience a change in service standards.

- a. Did Mr. Thress or the Postal Service attempt to determine the increase in average days to delivery only for the mail that will experience a change in service standards?
 1. For instance, the Postal Service states that 61% of FCM will keep its current service standards under the proposal. Did the Postal Service provide Mr. Thress with an estimate of whether the average days to delivery for this mail would change?
 2. Did the Postal Service provide Mr. Thress with the anticipated change in average days to delivery that the 39% of First-Class Mail that will see a reduction in service standards will experience?
- b. Please confirm that Mr. Thress did not attempt to model the financial impact of the proposed changes on only those pieces of mail that would experience a change in service standards.

RESPONSE:

- a. No.
 1. No.
 2. No.
- b. Confirmed.

We believe that modeling the financial impact of only those mail pieces impacted by the proposal would be inappropriate given postal market dynamics. Mailers make the decision whether to enter mail pieces with the Postal Service.

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Whether, and to what degree, the proposal impacts each individual mailer is a fact intensive inquiry that is unique to each mailer. For example, forty percent of a given mailer's volume may be impacted by the proposal, whereas sixty percent of the volume may remain unaffected. Some mailers may decide to divert additional volume to electronic alternatives based on the 40% impact, but other mailers may not. Additionally, we have also found that Presort mail volumes have lower sensitivity to changes in delivery time. See Direct Testimony of Thomas E. Thress on Behalf of the United States Postal Service (USPS-T-5), PRC Docket No. N2021-1 (Apr. 21, 2021), at 37. This suggests that Presort mailers may be able to mitigate or avoid the effects of changes in delivery time by entering mail further into the Postal Service's network.

Given the fact-intensive nature of the inquiry, we assumed that mailers make decisions based on the aggregate, or how the proposal impacts each individual mailer's volume on the average. This assumption is consistent with my understanding of postal market dynamics and most mailers' decision-making. Thus, I believe modeling the financial impacts of only the impacted mail volume would provide an inaccurate estimate of contribution loss. See USPS witness Thomas E. Thress's response to Question 29(f) of Presiding Officer's Information Request No. 1 filed on May 17, 2021

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PostCom/USPS-T5-3. Does the Postal Service expect the average days to delivery to change for mail volumes that will not experience a change in service standards under the proposal?

- a. If yes, please indicate the expected change in average days to delivery for any mail that will not experience a change in service standards and provide any supporting research, calculations, or analysis.
- b. If yes, did the Postal Service provided this information to Witness Thress? Please explain why or why not.

RESPONSE:

- 3. No. But, the overall average days to delivery may improve once the Postal Service achieves its performance target of 95 percent.
 - a. N/A.
 - b. N/A.

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PostCom/USPS-T5-4. Please refer to USPS-T-5 at page 8 and the chart “Average Days to Delivery vs. Mail Volume: First Class Workshare Mail,” and the tab “Data” in the “Thress” spreadsheet in Library Reference LR-N2021-1-5. Please confirm that the average days to delivery for First Class Workshare Mail did not exceed 2.4 days between FY 2009 Q3 and FY 2020 Q3.

- b. Has Witness Thress or the Postal Service determined the average days to delivery for First Class Workshare Mail currently subject to a 3-day service standard?
- c. Please refer to USPS-T-3 (Hagenstein) at page 22 and the statement that “approximately 47 percent of FCM presently subject to a three-day service standard will remain as three-day” under the proposed changes.
 - i. Please confirm that 53% of FCM presently subject to a three-day service standard will have either a four- or five-day service standard when the proposed changes are implemented.
 - ii. If the answer to Question 4.c. is confirmed, has the Postal Service estimated or projected the average days for delivery it expects this 53% of FCM to experience when the new service standards are implemented?
 - 1. If no, why not?
 - 2. If yes, please provide any supporting analysis or calculations for the estimated or projected average days to delivery.
 - 3. Does the Postal Service expect the average days to delivery for mail subject to a four or five day service standard under the proposed changes to be 2.4 days or less? If yes, please indicate the expected change in average days to delivery for any mail that will not experience a change in service standards and provide any supporting research, calculations, or analysis.

RESPONSE:

- b. Not to my knowledge.
- c.
 - i. Based on my understanding of USPS witness Stephen Hagenstein’s testimony, the answer is confirmed.

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ii. No.

1. We believe such calculations would be unnecessary as we looked at the representative impact. Please see my response to PostCom/USPS-T5-2(b).

2. N/A

3. No.